



Quarterly Report

Evolving Malicious Risks in Southeast Asia and Beyond



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Foreword

Samphire Risk's commitment to providing expert insurance solutions and services is mirrored by our ability to produce insight and analysis around the risks we insure against. We have published our opinion on such topics as Malicious Detention, Active Assailant Attacks, and the impact of Climate Change on the security risk environment.

We also regularly contribute to podcasts to provide straightforward insight into topical issues and subjects. We will continue to provide a strong and authentic voice when it comes to malicious and hostile risks and how they are impacting on clients and the insurance market.

With that said, we also produce quarterly reports on a variety of topics; some on well-known issues and some on lesser-understood themes and trends in the risk environment we specialise in. This edition focuses on the blend of various risk influences in Southeast Asia and Oceania.

I hope that you enjoy reading this fascinating report produced by our in-house Advisory Team.

Charlie Hanbury
Chief Executive Officer
Samphire Risk



Introduction

The malicious risk landscape of Southeast Asia and Oceania has begun to change. For several decades we have seen localised insurgencies; infrequent but high-impact terrorist action; small-scale separatist activity; and a well-defined, predictable trans-national criminal threat.



Strategic influences originating outside the region together with ideas germinating within it are now having an impact; there is now the potential for wider and more severe events to take place both regionally and globally. In this report we look in detail at four of the key trends and influences that are currently playing out in the region:

- Dispersal of Islamic State threat,
- The spread of serious organised crime,
- An increase in strikes riots and civil commotion
- Changes in strategic competition.



Dispersal of the Islamic State threat

Efforts by the international community to mitigate the threat posed by Al-Qaeda (AQ) and IS has resulted in a shattering of their geographic coherence and a dispersal of their ideologies and their people, well beyond the Middle East. For Southeast Asia this has meant well-trained, battle inoculated individuals have returned home from Iraq and Syria with the knowledge, experience and networks necessary to continue “Qital Tamkin” (the battle for territorial control) and “Qital Nikayah” (eroding enemy’s forces by continuous assaults) in their home states.

The countries concerned, primarily Thailand, Malaysia, Indonesia, The Philippines and Singapore, are well-aware of this threat, and all have taken steps to develop systems to monitor individuals as they return and integrate them into society before they can become a risk. As a result of these efforts, the U.N., in its Security Council report of February 2022 recognised and reported both

significant gains [by Indonesia and the Philippines] in countering threats from ISIL and Al-Qaida affiliates in the South-East Asia region⁹¹ and...

...an overall decline in terrorist activity and some optimism that the operational capability of the groups may be significantly degraded.⁹¹

A changing threat

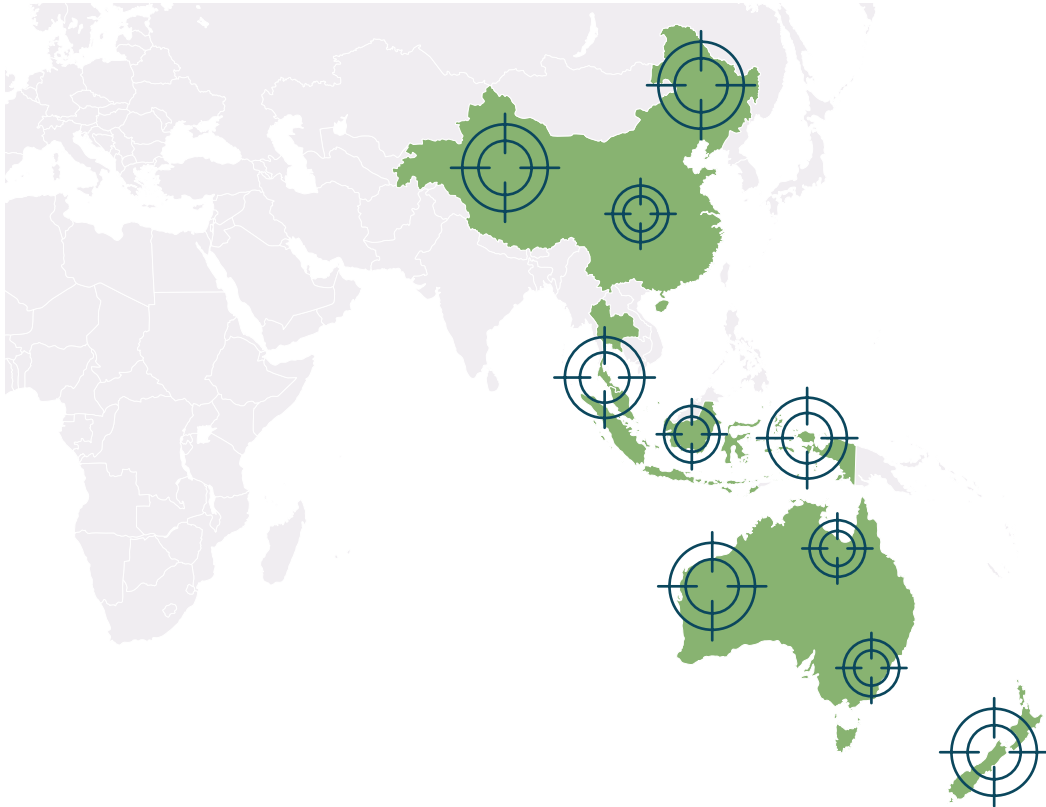
While states throughout the region have demonstrated significant success in mitigating the kinetic threat posed by fighters returning from the Middle East, the splintering of the Caliphate means the threat has changed, rather than gone away.

There are strong indications that preparation (i'dad) continues and even though details are scarce, we would consider that most, if not all of the following are possible should re-integration or reconciliation fail:

- **Returnees could migrate towards the region's existing terrorist cells** and provide tactical and technical know-how that could be beyond the capacity of national security forces to manage, at least initially;
- **Returnees could join existing online programmes** to radicalise the vulnerable and in so doing enhance the effect of these programmes by adding contemporary experience and gravitas to the message;
- **Access to those 'who fought' could also accelerate radicalisation** by tapping into feelings of guilt for having 'missed out' and by inspiring people to emulate the actions of 'those who were there'. ►



Dispersal of the Islamic State threat



► A more tangible effect of the dismantling of the Caliphate has been a change to the terrorist modus operandi of IS and the emulation of their new techniques by pairs and lone actors. Singapore, Indonesia, Thailand, Malaysia, China, Hong Kong, Australia, and New Zealand have all either foiled or been the victim of small group or lone wolf attacks since 2020. Because of the relative ease with which these attacks are planned and conducted, it remains likely that this form of threat will

continue to manifest more frequently than the complex terrorist events earlier this century.

It is also worth noting that regional grievances and motivations for terrorism are evolving. This will lead to different terrorist threats emerging, sometimes in previously unaffected places. In addition, these new dynamics may lead to radicalised individuals from further afield being attracted to these new hotspots/centres of extremism.



The spread of serious organised crime

Territories operated by Serious Organised Crime (SOC) syndicates evolve over decades; with significant changes taking place only when seismic opportunities present themselves. Once such opportunity was the launch, in 2013, of China's Belt and Road Initiative (BRI), a network of overland (the Economic Belt) and sea (the Maritime Silk Road) routes linking China with Central Asia, Africa and Europe.

This initiative has now expanded to encompass large areas of Southeast Asia, Southern Asia, and elements of the Pacific, enabling Beijing to engage directly with nations throughout the BRI network for the economic benefit of both. This targeted use of soft power has also allowed China to extend its strategic influence and in so doing has created an opportunity not lost on Asia's SOC syndicates; changes to Asia's organised crime landscape have begun to emerge as a result.

In Southeast Asia, SOC syndicates focus on four broad areas of exploitation:



Illicit drugs;



Human trafficking and
migrant smuggling;



Environmental
crimes; and



Counterfeit goods.

Enabled by four key vulnerabilities:



Lack of enforcement;



Lack of legal work
opportunities;



Conflict; and



Cultural tolerance of
some SOC.²

These areas of exploitation have been well known for some time as have the region's key vulnerabilities to SOC. Despite this, efforts by nations in Southeast Asia to reduce serious organised crime have had little meaningful impact and pan-national solutions delivered through mechanisms such as ASIAN and the Lancang-Mekong Cooperation Framework appear to have had little effect. Historically, this has been viewed by the international community, including business leaders, as a challenge, but because SOC patterns were well established, strategies were developed to mitigate the most serious risk. The advent of the BRI has changed this equation, and this is impacting the status quo. ►



The spread of serious organised crime

► There is broad consensus among law enforcement agencies that SOC activity uses the larger volumes of trade generated by legal commerce to 'blend in'. Illegal trade routes therefore often mirror those of their legal enablers.³

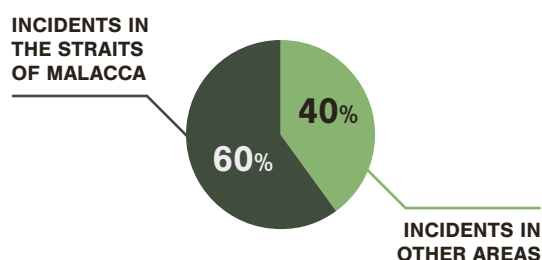
There is also consensus that the BRI is now a likely vector for the wider spread of SOC (including Chinese organized crime⁴) beyond historic boundaries. The new routes now available to criminals are likely to take Asian SOC west along the BRI into Asia and Africa, north into Europe and east into the Pacific.

What is less well understood are the second and third order effects of this expansion of SOC and what this means for business. We would consider the following:

- **The arrival of BRI linked initiatives in the Philippines has resulted in the evolution of the kidnap threat.** On the one hand there is a shift away from militant perpetrators to trans-national or indigenous criminal gangs, and on the other a shift from non-Asian to Asian victims. Target sectors have also expanded to include hospitality and entertainment, as well as those traditional targets in energy, extractives, maritime and NGOs.
- **China has simplified tax and import/export systems at a number of Special Economic Zones (SEZs) located at infrastructure hubs along the BRI.** This has led to an increase in the volume of maritime, road and rail traffic processed at these hubs and is likely therefore to have increased the volumes of illicit trade moving through the same locations.

As governments attempt to interdict this traffic there is a very real possibility that some responsibility will be placed on logistic carriers, hauliers and the operators of port and maritime assets to police their own systems. The knock on effect of this is that staff, operators and leaders become vulnerable to direct threat by SOC, and indirect threat if liability for illegal activity is assessed to lie with them.

- **Over the past 10 years almost 40% of global maritime commercial traffic has passed through the Straits of Malacca and the seas that lead to them.**



As the BRI expands, this figure is likely to increase; and with it, an increase in incidents of piracy. In 2022 the region was responsible for 60% of all reported maritime piracy incidents⁵ and although it is not yet clear if there is a link between the increase in piracy, SOC, and the expansion of the BRI, the threat to maritime traffic and to those with goods in transit by sea through this region (including the energy sector) is now very real.



Increasing incidents of strikes, riots and civil commotion

The first two decades of the 21st Century saw an unprecedented increase in personal rights and individual freedoms across the globe, including Southeast Asia. Activists, coalesced into organised groups, entered the mainstream and began to inform as well as impact debate. Alongside this, after centuries of predation, marginalisation and isolation, cultural and ethnic minorities began to have their uniqueness recognised and their ancestral rights observed. These extraordinary steps in social evolution were not applied universally nor were they applicable globally, but what they did achieve was to germinate expectation and demonstrate the possible.

This reshaping of the social order also provided opportunities for malicious actors to mobilise. Galvanised by socio-political change, activists across the region have taken action moving between social disturbance, social disobedience and social disorder, at times resorting to violence or leading to significant disruption.

In addition, often emboldened by populist rhetoric against minority groups or other segments of society, and alert to the possibilities presented by division, some threat actors choose to exploit these dynamics to challenge governments and associated institutions. In so-doing, their actions have threatened the stability in some of the world's most advanced economies and enduring democracies.

In large parts of Southeast Asia and Oceania, governments have been less forthcoming as in other parts of the world in granting populations additional personal freedoms. Given the wider region is at risk from major issues such as climate change, recognition of significant minority groups in Thailand, Myanmar, Laos, Malaysia, Vietnam, Cambodia, Indonesia, the Philippines and Singapore remains broadly unfulfilled. In other parts of the world the persecution suffered by these minority groups does not make major news, despite many

suffering from societal and political prejudice, violence, and the loss of ancestral land to government developments.

So, what are the likely implications for Southeast Asia and Oceania of this waking expectation? Analysis of the actions of individuals, activist groups and ethno-nationalists elsewhere in the world suggests:

1 Momentum currently lies with disruptors rather than 'the establishment';

2 Social media (in all its forms) remains largely beyond the control of governments and is therefore an accelerant and a force multiplier; and

3 When actions take the form of disturbance, disobedience and disorder even autocratic governments can struggle to contain them.

Ally these factors with the long history in Southeast Asia and Oceania of fighting and winning existential battles and it becomes more, not less likely that this region will see an increase in strikes, riots and civil commotion in response to stymied rights, climate change and the impact of strategic competition.



Changes in strategic competition

Geo-political strategic competition is not a new phenomenon, and the role its protagonists have played in influencing the affairs of Southeast Asia and Oceania has been long-term. What has changed is the way the game is now being played and the perception of who now leads the competition.

General Qiao Liang, in his 'One Belt, One Road' speech to the Chinese University of Defence in 2015, described the 'game' as having been played since WW2 according to the rules of 'three world systems'⁶. This entails the USA and the advanced economies of the western world (the 'First World') keeping China (representing the 'Second World') and the developing world below it (the 'Third World') locked in a hierarchical world order.

He went on to state that this 'three world systems' framework had been designed by the US specifically to replace the era of British hegemony (which ended in 1945) with one led by the US based on the American dollar. Whether General Qiao was right or not, it is now widely recognised that these systems, referred to more commonly as the 'Rules Based Order', have become the pre-eminent influence on international relations in the post-war period.

China has for some time challenged this status quo, with Beijing specifically contending that because the Rules Based Order has for some time been 'set by the US alone', neither China nor any other state should be compelled to follow its doctrine.⁷ In 2013, in order to help create the conditions for the next stage in China's development, Beijing launched the Belt and Road Initiative (BRI). What is significant is the degree to which other states have reassessed the international order and their places within it. The rise of China and the plateauing of US influence has, in short, led to the rationale for US pre-eminence to be questioned.

The BRI has brought significant benefits to Central, Southern and Southeast Asia, to Africa and to the outer edges of the Western Pacific. However, as China's influence extends so does the requirement for it to occupy market entry points, cement Chinese influence in frontier territories, secure lines of communication, and protect Chinese interests. These are activities which now appear to be having unforeseen consequences, which include:

- 1 The expansion of the BRI into new markets is not being universally accepted;
- 2 There is a hardening of attitudes towards China in some existing and some emerging markets;⁸ and
- 3 The re-invigoration⁹ or formation¹⁰ of alliances designed specifically to counteract Beijing's strategic intent is gaining traction in some regions deemed by Beijing to be of strategic importance.

Despite this, concerns over how the BRI is to be delivered and the knowledge that debt traps and overseas ownership are a real possibility, there remains broad support for the BRI throughout Southeast Asia because the benefits of its programmes are tangible. ►



Changes in strategic competition

► The friction therefore arises at a geo-strategic level because:

- As manoeuvring over Taiwan continues, the first use of hard power to protect national peripheries and national interests is closer than it has been for some time;¹¹ and
- China's wider strategic intent is characterised by a preference for unilateral conflict resolution, the use of 'Wolf Warrior Diplomacy' by Beijing (so called after the film Wolf Warrior, and stands for combative and confrontational diplomacy), disruptive 'grey zone' military tactics and selective adherence to international law. This is beginning to create an international trust deficit over China's actions¹², particularly in the South China Sea, and this is generating anti-Chinese sentiment at the tactical, operational, and strategic level. The implications of this deficit have yet to fully materialise but recent riots in the Solomon Islands, Malaysia's gradual uncoupling from live BRI projects and concerns over Chinese strategic development along the Mekong River¹³ suggest that local, national and trans-national frictions could add another layer of complexity to the risk landscape of China's strategic expansion.

The question therefore appears to be - will this lead to China doubling down on market entry initiatives in areas Beijing identifies as strategically critical, or will China withdraw to assess alternative options? The answer is unclear, but contemporary indicators suggest China may elect for the former rather than distance itself and this raises the question of what form doubling down might take.



New contested spaces, further contest in poorly governed spaces, polarisation (both voluntary and coerced) and the risk of entrenchment are all now more likely given China's resolve to extend its influence. China is already using tactics to underpin its soft-power gains that the US and its allies are struggling to counter;¹⁴ layer this with Beijing's accelerating use of Hybrid Warfare¹⁵ and it seems likely that it will be China that drives the evolution of strategic competition in Southeast Asia and Oceania for the foreseeable future. And until the initiative can be wrestled from Beijing it seems the existing balance of power will continue until some measure of Yin and Yang can be restored.



So what?

We have identified a number of different malicious threats in the Southeast Asia and Oceanic region. Many are well known while some are just beginning to coalesce but wherever they lie on the spectrum of threat evolution, the risk posed to people, assets and reputations from terrorism, political violence, strikes, riots and civil commotion appears to be self-evident.

This is also true for the risks posed to strategic imperatives by threats either thought to be on the decline (piracy) or that are new (proxy forces and the threat posed by associated liability for example). What is interesting in the context of this analysis therefore is how an apparent nexus between a number of these different threat vectors has begun to emerge, and how the strategic dynamics of the region have the potential to accelerate trends, increase complexity and obfuscate solutions at every level of governance and society.



About Samphire Advisory

This report has been researched and produced by Samphire Advisory, our in-house team of malicious risk consultants; the multi-disciplined team focuses on mitigation, threat intelligence, and risk analysis. Our advisors are trusted in some of the world's most demanding sectors, providing the strategic insight, operational resilience and tactical support necessary to develop awareness, mitigate risk and protect the bottom line.

The Samphire Advisory Team allows us to provide our partners and clients with greater understanding and the ability to mitigate malicious and hostile risk. Our insurance products allow them to transfer risk if required, positioning us as an expert provider of what is needed to protect people and companies from 'bad people doing bad things'.

This capability also enables us to fuse the deep understanding and significant knowledge of our underwriters with the insight and experience of our consultants. This nexus helps us to develop market leading products at the forefront of malicious risk mitigation, and to operate at the leading edge of insurance innovation.

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About Samphire Risk

Samphire Risk was formed in 2021 and is a world-leading independent Managing General Agent (MGA) focused on insuring people and companies against hostile and malicious risks. Through an expert team and exceptional technology, Samphire aims to create world-class products that insure against extortionate crime, hostage-taking and kidnap; terrorism in all its guises; travel into, and within, insecure countries and locations.

To find out more about Samphire please visit our website www.samphirerisk.com or follow us on LinkedIn.

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